



Wisconsin Department of Public Instruction

Fiscal and Internal Control Practices Report

June 24, 2014

FISCAL AND INTERNAL CONTROL PRACTICES REPORT

- Required by Wisconsin Statute Section 119.23 (7)(am) 2 and PI 35.047(13) (MPCP)
- Required by Wisconsin Statute 118.60 (7) (am) 2 (RPCP & WPCP)
- A private school shall engage an auditor to provide a report to the department by December 15
- Attest to the private school's compliance or non-compliance with the fiscal and internal control practices required by completing agreed upon procedures
- Prepared in accordance with professional standards
- **The auditor may not rely on oral or written representations of the school's administration or staff**

FISCAL AND INTERNAL CONTROL PRACTICES REPORT

- Do NOT make any changes to the report format. All steps must be included.
- Use only the correct version of the report.
- If any non-compliance items are noted, a conclusion of non-compliance must be selected.
- The conclusion must indicate what the non-compliance item(s) was/were.

1. Financial Accounting System Requirements [PI 35.047(1)]

- Requires double entry bookkeeping
- Walkthrough for cash receipts, cash disbursements, receivables, and payables
 - Receivable and payable walkthrough is not required if the school does not use the accrual basis during the year. The report must indicate the accrual basis is not used during the year in this case.
- Allows for completion of the FIR
- Separately accounts for eligible revenues and expenses
- Trial balance includes different accounts for revenues

2. Budget Requirements

[PI 35.047(2)]

- Continuing school:
 - Prepared before July 1st
 - Revised if the Choice or all pupil Sept 3rd Fri enrollment varied by the lesser of 20% or 20 pupils
- If school determined non financially viable:
 - July 1st budget is due to the department by July 1st
 - Revised budget is due to the department by February 15th
 - An updated turnaround plan must be submitted with each budget

The verification of completion of this budget does not need to be completed by the auditor.

2. Budget Requirements

[PI 35.047(2)]

- Continuing school's budget must include:
 - Total Sept FTE enrollment
 - Choice Sept FTE enrollment
 - Total revenues and financing sources
 - Offsetting Choice Program Revenues
 - Total Cost
 - Eligible Choice Cost
 - Contingent funding sources

2. Budget Requirements

[PI 35.047 (2)] (cont)

- New schools:
 - Original budget provided to the department by May 1st
 - Amended budget reflects the actual Sept 3rd Friday counts provided to the department by November 1st

3. Expense Payment Requirements

[PI 35.047 (3)]

- Select disbursements from the A/P Register and determine that payments were made within:
 - 90 days of invoice receipt
 - Per the payment request
 - Per written agreement with the vendor
- Unpaid vendor file-determine invoices were not required to be paid based on the above

3. Expense Payment Requirements

[PI 35.047 (3)] (cont)

Determine if:

- Rental payments were made in accordance with the lease
- Tax withholdings and FICA-Medicare on last FIR are paid
- Outstanding IRS and DOR levies or repayment agreements exist
- The school is current with any IRS or DOR repayment plan
- Vendor and Other Accounts Payable on last FIR are paid

3. Expense Payment Requirements

[PI 35.047 (3)] (cont)

- Written policy for employee and related party reimbursement
- Reimbursement testing
 - Paid within 90 days
 - Paid based on the written reimbursement
 - Paid based on original receipts

Review Question

- A school has a contract with a food vendor which states that all payments must be made 10 days from the invoice date. The food vendor sends an invoice on March 31, 2013. What date must the school pay the invoice by to be in compliance with Choice requirements:
 - a. The invoice must be paid within 90 days, so it must be paid by June 29, 2013.
 - b. The invoice must be paid within 10 days of invoice receipt, so it must be paid by April 10, 2013.

4A. Employee Compensation Payments [PI 35.047(4)]

- Determine that all employees have a written document specifying when they will be paid and how much
- Test that employees are paid the amount per the written documents, that they were paid on the dates specified in the written documents, and that the total amount paid to date equals the amount per the written documents

4A. Employee Compensation Payments [PI 35.047(4)] (cont)

- Unpaid payroll and related benefits on last FIR are paid
- Employees were paid at least once every 31 days
- Determine if an outstanding DWD levy or payment agreement exists
- Determine if the school is current with any IRS or DOR payment plan

Review Question

- A school has a contract with an employee that they will pay them \$500 on the 1st and 15th of every month. The school is short on cash, so the administrator wrote out a check to the employee for \$300 on the 1st. The school wrote a check out to the employee with all the proper withholdings for \$700 on the 15th.
 - a. The school is in compliance with Choice requirements on the 15th because they have paid the full amount they owed the employee.
 - b. The school is not in compliance with Choice requirements because they did not pay the full amount owed on the 1st.
 - c. The school is not in compliance with Choice requirements because they did not take any withholdings out of the check on the 1st.
 - d. Both b and c.

4B. Employee Education Requirements

[Wis. Stats 119.23(2)(a)6 (MPCP), 118.60 (2)(a)6 (RPCP & WPCP) and PI 35.047(11m)]

- Wis. Stats. 119.23(1)(ae) and 118.60 (1)(a)

"Administrator" means the superintendent, supervising principal, executive director, or other person who acts as the administrative head of a private school participating in the program under this section.

- A school may have multiple administrators.

- Wis. Stats. 119.23(1)(d) and 118.60 (1)(g)

"Teacher" means a person who has primary responsibility for the academic instruction of pupils.

What an individual is classified as is based on their duties,
not their job title

4B. Employee Education Requirements

[Wis. Stats 119.23(2)(a)6 (MPCP), 118.60 (2)(a)6 (RPCP & WPCP) and PI 35.047(11m)]

- Teacher
 - Bachelor's degree or higher from an accredited college
 - DPI Waiver on file with completion plan
 - Exception if only teach rabbinical studies
- Administrator-**At least** a bachelor's degree
 - Exception if rabbinical studies
- Aide-High school diploma, GED, HSED, or degree or educational credential higher than a high school diploma, GED or HSED

4B. Employee Education Requirements

[Wis. Stats 119.23(2)(a)6 (MPCP), 118.60 (2)(a)6 (RPCP & WPCP) and PI 35.047(11m)]

- “accredited institution of higher education”
- Refer to U S Department of Education web page:
<http://ope.ed.gov/accreditation/Search.aspx>
- A foreign transcript evaluation agency will need to be hired for foreign degrees

4B. Employee Education Requirements

[Wis. Stats 119.23(2)(a)6 (MPCP), 118.60 (2)(a)6 (RPCP & WPCP) and PI 35.047(11m)]

Teacher Waivers:

- Teachers and schools received a letter from DPI granting the 5 year waiver.
- Annually teachers with a waiver will submit an updated form to DPI and to the school noting any changes to the coursework completion plan.

	MPCP	RPCP	WPCP
Waivers Granted	30	1	4
Deadline to earn a bachelor's degree	July 31, 2015	July 31, 2016	July 31, 2018

4B. Employee Education Requirements

[Wis. Stats 119.23(2)(a)6 (MPCP), 118.60 (2)(a)6 (RPCP & WPCP) and PI 35.047(11m)]

- Degree documentation must be a copy of the degree or an official transcript indicating the individual received the required degree.
- High school graduate
 - Copy of high school diploma
 - Letter from the high school stating the individual graduated
 - Identification of high school graduation on a high school, college, or other post-secondary educational agency transcript
- GED certificate
- HSED diploma

4B. Employee Education Requirements

[Wis. Stats 119.23(2)(a)6 (MPCP), 118.60 (2)(a)6 (RPCP & WPCP) and PI 35.047(11m)]

- Auditor must obtain a list of all school employees that includes their job title.
- Auditor must examine each personnel file for each administrator, teacher and teacher aide for proper documentation. No sampling. 100% of files must be examined.
- If an individual is in the classroom on a daily basis they are either a teacher or a teacher aide

Position Title	Job Responsibilities	Choice Classification	Education Rqmt	Allowed Support for Rqmt
Choice Administrator	Completes the Choice required documentation.	Administrator	At least a bachelor's degree	Copy of the degree or an official transcript indicating the individual received the required degree
Secretary	Works with parents on any issues. Signs the compensation agreements with all employees as a representative of the school. Addresses any employee complaints.	Administrator	At least a bachelor's degree	
Teacher	Provides instruction for 1 st grade.	Teacher	Bachelor's degree or higher or DPI waiver	
Teacher's Aide	Provides instruction for 2nd grade. Choice Administrator assists with the class once or twice a week.	Teacher	Bachelor's degree or higher or DPI waiver	
Teacher's Aide	Provides general assistance and support for the 1 st grade classroom. The individual is not in the classroom by themselves.	Teacher's Aide	High school diploma, GED, HSED or higher degree or educational credential	HS diploma, letter from HS, id of HS diploma on transcript, GED certificate or HSED diploma or same as above

5. Financial Internal Control System Requirements [PI 35.047(5)]

- Examine all bank records of the school
 - Generally, accounts must be maintained solely for the school.
 - If also used for the operating organization, the accounting system must separately track school's revenues and expenditures.
 - The school specifically track school revenues and expenditures from the operating organization. This includes any operating organization funding provided to the school
 - The bank must be located in Wisconsin.

5. Financial Internal Control System Requirements [PI 35.047(5)]

- Test controls surrounding cash receipts and cash disbursements
 - Cash receipts:
 - Must have documentation of nature and source
 - Choice checks must be separately deposited
 - Cash disbursements
 - Must use pre-numbered checks
 - Must maintain original invoices and payment requests
- Determine the implementation status of prior year recommendations

Which of the following situations is allowed?

- a. A school's bank account is combined with the bank account of the operating organization. The school has two "entities" set up in the accounting records which separately track the activity for the school and the operating organization.
- b. A school is owned by the School's administrator. The administrator uses his personal bank account for the school. The accounting records only include the activity for the school.
- c. A school's bank account is combined with the bank account of the operating organization. The school's accountant identifies on each month's bank statements what activity is the school's and what activity is the operating organization's.

6. Government Agency Filing Requirements [PI 35.047(6)]

- Current with the filing and/or withholding payment requirements of the:
 - IRS
 - Department of Revenue
 - Department of Workforce Development
 - Department of Financial Institutions
 - Department of Safety & Professional Services
 - Auditing requirements of federal, state, and local agencies
- All audit reports issued or revisions must be provided to DPI within 30 days of submission

7. Liability Insurance Requirements

[PI 35.047(7)]

Coverage	PI 35 Identified Coverage Amount
Worker's Compensation Liability Insurance	Amount required by state statute
Commercial General Liability Insurance	
Each Occurrence - Required minimum	\$1,000,000
Personal Injury - Required minimum	\$1,000,000
Umbrella Excess Liability Insurance - Aggregate Limit	\$5,000,000
Auto Liability Insurance - Each Accident	\$1,000,000
Errors and Omissions Liability for School Leaders - Aggregate Limit	\$1,000,000
Sexual Misconduct Liability - Aggregate Limit	\$1,000,000

- Coverage must meet minimum state requirements, unless the coverage amounts are based on a written or documented verbal recommendation of a risk or insurance consultant.

7. Liability Insurance Requirements [PI 35.047(7)] (cont)

- Is insurance paid up?
- Policy has an “additional insured endorsement” listing DPI, so we are notified of any changes or lapses.

7. Liability Insurance Requirements [PI 35.047(7)]

(cont)

Sample Certificate of Insurance from Agent:

JAN 19, 2008 11:18AM JP&ASSOC.		No. 6133 P. 2	
ACORD CERTIFICATE OF LIABILITY INSURANCE		OP ID CF CHRIS-1 09/08/08	
PRODUCER J. P. & Associates, Inc. 16935 W. Wisconsin Ave. Brookfield WI 53005 Phone: 262-827-0600 Fax: 262-827-0999		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
INSURERS AFFORDING COVERAGE		NAIC #	
INSURED (School name)		INSURER A: Philadelphia Indemnity Ins	
		INSURER B: Companion F & C Group	
		INSURER C:	
		INSURER D:	
		INSURER E:	
COVERAGES			
THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS INDICATED MAY HAVE BEEN REDUCED BY PAID CLAIMS.			
TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)
GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAMS MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> Abuse/Molest <input type="checkbox"/> Claims Made OENL AGGREGATE LIMIT APPLIES HERE: POLICY <input type="checkbox"/> LOC <input type="checkbox"/>	TBD	09/02/08	09/02/09
AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> RENTED AUTOS <input checked="" type="checkbox"/> MIXED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	TBD	09/02/08	09/02/09
BARBERS LIABILITY <input type="checkbox"/> ANY AUTO			
EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> COINSURABLE <input checked="" type="checkbox"/> RETENTION \$10,000	TBD	09/02/08	09/02/09
WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY EMPLOYEES OR CONTRACTORS/EXECUTIVE OFFICERS/BOARD MEMBERS If yes, do you have special provisions page Other	TBD	08/28/08	08/08/09
Crime <input checked="" type="checkbox"/> Prof/D&O/SEPL	TBD	09/02/08	09/02/09
DESCRIPTION OF OPERATIONS (LOCATIONS) VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS			
CERTIFICATE HOLDER State of Wisconsin Dept of Public Instruction Elizabeth Burmaster PO Box 7841			
CANCELLATION WHILE ANY OF THE ABOVE DESCRIBED POLICIES ARE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE CERTIFICATE HOLDER WILL, ON BEHALF OF THE INSURER, BE RESPONSIBLE FOR THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER. THE AGENTS OR			

Ensure that the Certificate of insurance properly reflects the required insurance or disclose allowed exclusions in the report. If no exclusion exists, report as an area of non-compliance.

7. Liability Insurance Requirements [PI 35.047(7)] (cont)

- If the errors & omissions liability for school leaders and the sexual misconduct liability insurances are combined with other insurance, ensure the aggregate limit is at least as much as the sum of all the required aggregate limits
- If a directors and officers insurance is used for the errors & omissions policy it must:
 - Cover the school's officers, governing board, and employees
 - Include employment related issues

What insurance is the school missing?

- You are completing the review for the 2013-14 Fiscal & Internal Control Practices Report due December 16, 2013
- Determine what, if any, items are missing based on the insurance form

Items Identified Related to Insurance

- Commercial liability insurance must have \$1 million per occurrence (only \$500,000)
- Excess/umbrella liability insurance must have \$5 million aggregate insurance (only \$1 million)
- Directors and officers insurance does not specify that it:
 - Covers the school's officers, governing board, and employees
 - Includes employment related issues
- The aggregate limit of sexual misconduct liability insurance and directors and officers insurance (errors and omissions) must each be \$1 million
- DPI is not listed as a Certificate holder
- The certificate does not show that the school will have current insurance through December 16, 2013
- The certificate is not signed by an authorized representative at the bottom

8. And 9. School Provided Transportation [PI 35.047(8) and PI 35.047(9)]

Determine if the transportation vehicle qualifies as a bus or an alternative transportation vehicle.

School bus:

- Vehicle painted school bus yellow, or
- A motor vehicle carrying 10 or more passengers in addition to the driver when transporting:
 - Pupils (K-12) to or from public, private, vocational, technical or adult education school.
 - Pupils (K-12) to or from curricular or extracurricular school activities (not-charter operation).
 - Pupils (K-12) to or from religious instruction on days when school is in session.
 - Children (under 21 years of age) with exceptional needs, to or from an education program approved by the Department of Public Instruction.

8. And 9. School Provided Transportation [PI 35.047(8) and PI 35.047(9)]

- Alternative Vehicle:
 - Any motor vehicle that is not a yellow school bus that is used to transport students
 - Does not include parents only transporting their own children
 - See DOT Brochure: School Bus or Alternative Vehicle?

8. School Bus Requirements

[PI 35.047(8)]

School operating bus:

- Determine that the school has the required insurance coverage
- Determine that the school is current with insurance payments and the coverage is in force
- Obtain the school bus inspection report-it must have been completed in the last 12 months

Contracted school buses from a party other than a Wisconsin School District:

- Determine that the contractor has the required insurance coverage

9. Pupil Transportation Alternative Vehicle Requirements [PI 35.047(9)]

School owned or leased transportation vehicles:

- Determine that the school has the required insurance coverage
- Determine that the school is current with insurance payments and the coverage is in force
- Obtain the inspection report-it must have been completed in the last 12 months

Contracted vehicles from a party other than a Wisconsin School District:

- Determine that the contractor has the required insurance coverage
- Obtain the inspection report-it must have been completed in the last 12 months

9. Pupil Transportation Alternative Vehicle Requirements [PI 35.047(9)] (cont)

- Compare the capacity of the vehicles to the logs of pupils transported to ensure the vehicle did not exceed its capacity and that it did not have more than 9 passengers and the driver at any time
- Ensure all drivers have:
 - Completed the “Alternative Vehicle Driver Information Request Form”
 - Had a background check completed

Description of Vehicle	Vehicle Classification	Requirements for School
Yellow bus used to transport children to and from school.	Bus	1) Must be continually insured. 2) School bus inspection report completed in last 12 months.
Vehicle transporting 12 individuals to and from extra curricular activities.	Bus	Must meet all yellow bus requirements (listed above) or illegal.
School uses a used 11-15 passenger van purchased in Mississippi to transport up to 9 students to and from school.	Alternative Vehicle	1) Must be continually insured. 2) Inspection report completed in last 12 months. 3) The school must have transportation logs showing that the vehicle did not transport more than 9 passengers and the driver. 4) All drivers must have a background check and "Alternative Vehicle Driver Information Request Form."
Parent transports their children to school.	Private Vehicle	No school requirements.
School contracts with a third party for a bus for regular school use.	Bus	School must ensure vendor has proper insurance by obtaining certificate of insurance.

10. Risk Management and Insurance Evaluation Requirement [PI 35.047(10)]

A private school shall, at least once every 3 years, have a written risk management and insurance evaluation by a risk or insurance consultant.

Needs to include a risk management and evaluation of current insurance component.

11. Fidelity Bond Requirement [PI 35.047(11)]

- Usually issued by liability insurance company, but not always.
- Minimum amount of coverage not determined by statute (*is it enough?*)

11. Fidelity Bond Requirement [PI 35.047(11)]

(cont)

- Obtain a copy of the fidelity bond
- Determine that the school is current with the payments and the coverage is in force



FISCAL AND INTERNAL CONTROL PRACTICES REPORT

- School management must respond to any findings of non-compliance on school letterhead.

Review Question

- The auditor identifies the school has a teacher that only has a high school diploma and does not have a teacher waiver. Which of the following explanations is sufficient to explain the non-compliance item in the letter from the school (there may be multiple correct answers)?
 - a. The teacher is working on getting their BA and will continue to teach in the meantime.
 - b. The teacher was let go since they didn't meet the educational credential requirements.
 - c. The teacher is now working as a teaching assistant.
 - d. It doesn't matter, the auditor isn't required to ensure the non-compliance letter appropriately addresses the issue.

FISCAL AND INTERNAL CONTROL PRACTICES REPORT

- If found not to have sound fiscal practices or evidence of fiscal viability, the school can be terminated from the program and Choice payments withheld.

???